LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 6162 **NOTE PREPARED:** Mar 19, 2008
BILL NUMBER: SB 72 **BILL AMENDED:** Mar 14, 2008

SUBJECT: State Officers; Public Employee Benefits.

FIRST AUTHOR: Sen. Kruse **BILL STATUS:** Enrolled
FIRST SPONSOR: Rep. Niezgodski

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill:

(1) authorizes a special death benefit for a chaplain who: (A) is appointed or officially designated to serve a state law enforcement agency, a sheriff's department, a volunteer fire department, or a full-time police or fire department of a political subdivision; and (B) dies in the line of duty;

(2) allows a member of the Public Employees' Retirement Fund (PERF) who: (A) is vested; (B) separates from employment; (C) does not perform service in a covered position for at least 90 days; and (D) is not eligible at separation to receive a retirement benefit; to elect to withdraw the entire amount in the member's annuity savings account;

(3) provides that, unless the member has transferred the creditable service earned in PERF to another governmental retirement plan, a PERF member who elects to withdraw the entire amount in the member's annuity savings account is entitled to receive, when the member becomes eligible to receive a retirement benefit, a benefit equal to the pension provided by employer contributions;

(4) provides that an individual elected Treasurer of State takes office January 1 following the individual's election;

(5) provides that the individual elected Treasurer of State at the 2006 election vests as a member of PERF if the individual is reelected as Treasurer of State at the 2010 election and serves in office until January 1, 2015;

(6) establishes 65 years of age with at least eight years of creditable service as the normal retirement age for

a state officer to whom Article 6, Section 1 of the Constitution of the State of Indiana applies;

(7) deletes the July 1, 2007, expiration date of a provision that authorizes the Treasurer of State to make investments in certain securities that have a maturity of more than two years and not more than five years;

(8) legalizes any such investments made after June 30, 2007;

(9) requires a member of the Teachers' Retirement Fund (TRF) or the PERF who retires with service in more than one retirement fund to choose, when the member applies for retirement benefits, which fund to retire from. (Current law requires a member with service in more than one retirement fund to retire from the last fund in which the member rendered service.);

(10) delays until after December 31, 2008, the option for a PERF member at separation to elect under certain conditions to withdraw the entire amount in the member's annuity savings account (ASA); and

(11) removes a requirement that a PERF member may elect to withdraw the entire amount in the member's ASA only if the member is not eligible at the date of termination to receive a retirement benefit from PERF.

(The introduced version of this bill was prepared by the Pension Management Oversight Commission.)

Effective Date: Upon passage; July 1, 2008.

Explanation of State Expenditures: (1) *$150,000 Special Death Benefit:* Adding a new group of potential recipient beneficiaries of the Special Death Benefit Fund may increase expenditures from this fund. Currently, there are approximately 9,010 individuals covered by the Special Death Benefit Fund. The number of deaths for which benefits were paid averages 2.8 per year since 1998. The Treasurer for the International Conference of Police Chaplains reports that there are approximately 300 chaplains in the state who would be added as eligible recipients of the $150,000 Special Death Benefit. Adding 300 chaplains would increase the number of individuals eligible by 3.33%.

IC 5-10-10-4 established the Special Death Benefit Fund, which receives funding from a $5 fee collected for each bail bond issued. As of September 30, 2007, the balance in the Special Death Benefit Fund amounted to $2,110,925. The payment for each line-of-duty death is $150,000. The following table shows the annual payout from the fund and the number of deaths each year since FY 1998.

Special Death Benefit Fund Under IC 5-10-10-4.		
Fiscal Year Ending	Amount Paid	Number of Line-of-Duty Deaths
6/30/07	$150,000	1
6/30/06	$150,000	1
6/30/05	$300,000	2*
6/30/04	$600,000*	4*
6/30/03	$150,000	1
6/30/02	$750,000	5
6/30/01	$450,000	3
6/30/00	$900,000	6
6/30/99	$300,000	2
6/30/98	$450,000	3
TOTAL	$4,200,000	28
Average/Year	$420,000	2.8
*$300,000 accrued on 6/30/04, but was actually paid in FY 2005.		

(2, 3, 10, and 11) *PERF Annuity Savings Account Withdrawals:* Allowing a member of PERF who is vested and meets certain other requirements to withdraw the entire amount in the member's annuity savings account will result in administrative and systems cost to PERF, but any costs are anticipated to be minimal. The fund affected is the PERF Administrative Fund.

Delaying until after December 31, 2008, the option for a PERF member at separation to elect under certain conditions to withdraw the entire amount in the member's annuity savings account will allow PERF additional time in which to implement this provision.

(9) *PERF/TRF Retirement Provisions:* Requiring a member of TRF or PERF who retires with service in more than one retirement fund to choose which fund to retire from will result in administrative and systems cost to PERF and TRF, but any costs are anticipated to be minimal.

(4, 5, and 6) *State Treasurer Pension Provisions:* Providing that an individual elected Treasurer of State takes office January 1 following the individual's election; providing that the individual elected Treasurer of State at the 2006 election vests as a member of PERF if the individual is reelected as Treasurer of State at the 2010 election and serves in office until January 1, 2015; and establishing 65 years of age with at least 8 years of creditable service as the normal retirement age for a state officer to whom Article 6, Section 1, of the Constitution of the State of Indiana applies will have the following impact.

As an example, if a state officer to whom Article 6, Section 1, of the Constitution of the State of Indiana applies were age 50 with 8 years of creditable service with an average salary of $66,000 at the end of the individual's terms of office, and assuming the individual would not earn any additional creditable service, the proposed legislation would provide an accrued PERF monthly benefit of $484 payable at age 65. The actuarial present value of this monthly benefit would be $21,250. Therefore, there would be an estimated fiscal impact of $21,250 for every state officer who would be eligible for an accrued benefit under this proposed legislation. The fund affected is the state General Fund.

<u>Background Information:</u> *$150,000 Special Death Benefit:* Chaplains have been added, in 2004, as eligible recipients of the federal death benefit of $250,000 (42 U.S.C. 3796 et seq.). The Treasurer for the International Conference of Police Chaplains reports that there are approximately 5,000 chaplains nationwide

who serve a state law enforcement agency, a full-time police or fire department of a political subdivision, or a volunteer fire department. The Treasurer further reports that two chaplains have been killed in the United States in the line of duty over the last 50 years.

PERF Annuity Savings Account Withdrawals: The state must pay the member's annuity savings account contributions for a member who is a state employee. For a member who is not a state employee, the employer is given the option of making all or part of the contributions on behalf of the member. The annuity savings account belongs to the member and not the state or the member's employer.

Explanation of State Revenues: (7 and 8) *State Treasurer Investment Provisions:* Deleting the July 1, 2007, expiration date of a provision that authorizes the Treasurer of State to make investments in certain securities that have a maturity of more than two years and not more than five years; and legalizing any such investments made after June 30, 2007 will have no direct fiscal impact, but allows the Treasurer of State to continue to have the option to invest statutorily approved securities in the two to five year final state maturity range. According to the Treasurer of State's office, the cost of not having this provision is the potential of lost interest earnings, the amount of which is indeterminable.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: PERF as administrators of the Special Death Benefit Fund; State Police; Department of Natural Resources; Alcohol and Tobacco Commission; Gaming Commission.

Local Agencies Affected: Units with members in PERF; Those units who appoint or officially designate a person to serve as a chaplain in a full-time police or fire department of a political subdivision or a volunteer fire department.

Information Sources: Andrea Unzicker, Chief Legal Counsel, PERF; 317-233-4132; Col. Tom Parker, PERF, 317-233-4146; Bob Lofland, Systems Accountant, PERF, 317-234-2749; Bob Fiers, Chaplain, Marion County Sheriff's Department, and Treasurer for the International Conference of Police Chaplains 317-923-5458, ext. 110; Mike Frick, Deputy Treasurer of State, 317-232-6260.

Fiscal Analyst: James Sperlik, 317-232-9866.